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UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
26 FEDERAL PLAZA
NEW YORK, NEW YORK 10007

JUN 11 1976

Mr. William Toby
Acting Regional Commissioner
Social and Rehabilitation Service
Region II
Department of Health, Education,
and Welfare
26 Federal Plaza
New York, New York 10007

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Dear Mr. Toby:

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During our review of the New York State Medicaid System for reimbursing costs of nursing homes, we performed audits for the calendar year 1973 at the Village Nursing Home, the A. Holly Patterson Home for Nassau County Aged and Infirm, and the JIGC Nursing Home Co., Inc. During these audits we questioned certain costs which we believe were improperly charged by the three nursing homes to the Medicaid program. The specific costs we questioned are shown below. We also comment below on related aspects of some of these questioned costs as well as the action taken by New York State.

Village Nursing Home, New York, N.Y.

--Administrative costs exceeding State limits	\$38,249
--Overstated telephone expense	2,052
--Overstatement of medical supplies expense	7,800
--Improperly reported revenue	<u>10,870</u>
	\$58,971

After advising State officials that we had questioned certain costs claimed at the Village Nursing Home, the New York State Bureau of Provider Audit performed a multiyear audit at that Home, and disallowed \$329,000 in costs for calendar years 1971 and 1972.

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A. Holly Patterson Home for Nassau County
Aged and Infirm, Uniondale, New York

--Capital equipment expensed and simultaneously depreciated	\$63,957
--Unallowable expenditures for patients clothing and shoes	15,798
--Unreported cost recoveries, including Medicare Part B revenue	167,762
--Miscellaneous reductions of cost known by home officials but not reported to State	<u>2,599</u>
	<u>\$250,116</u>

Concerning capital equipment, the total effect of capitalizing and depreciating and simultaneously expensing the same equipment between 1969 and 1974 has been about \$340,000 in oversubmissions, including the \$63,957 for calendar year 1973.

The fiscal officer at the A. Holly Patterson home stated that between 1969 and 1972 about \$538,000 in Medicare Part B revenue should have been reported as cost recoveries on the annual cost reports to the State.

JIGC Nursing Home Co., Inc.
New Hyde Park, New York

--State miscalculation of interest expense	\$54,038
--Unallowable auto expense	2,671
--Reported heating expense not related to facility	<u>518</u>
	<u>\$57,227</u>

When computing Medicaid-related reimbursement rates, the Bureau of Health Care Reimbursement did not offset the capital interest costs claimed by health facilities, including nursing homes, built under Article 28A and 28B of the New York State Public Health Law, with interest earned by the facilities on mortgage repayment accounts.

During the period April 1974 to April 1975, we found that total interest earned by all such facilities on mortgage repayment accounts of about \$418,800 under the 28A program and about \$105,900 under the 28B program were not offset by the State against related capital interest costs claimed by the facilities. As a consequence, nursing home Medicaid reimbursement rates may have been overstated.

New York State Department of Health officials advised us that corrective action would be taken commencing with the computation of the 1976 reimbursement rates.

Conclusions and Recommendations

We discussed the results of our audits at the three nursing homes with members of your staff. They indicated that New York State officials would be contacted to effect immediate inquiry into these matters.

We recommend that you take necessary action to have New York State determine the extent of overpayments made to these three nursing homes for calendar year 1973. In addition, we recommend that overpayments made to the A. Holly Patterson home since 1969 due to (1) unreported Medicare Part B cost recoveries and (2) simultaneous depreciation and capitalization of equipment also be determined by the State.

We also recommend that you take the necessary action to assure that the New York State Department of Health make the recoveries of the interest income not properly offset since the inception of the 28A and 28B programs.

The Federal Government should be reimbursed its appropriate share for any overpayments identified.

The following State and other Federal officials are being sent copies of this letter:

Ms. Bernice L. Bernstein, Regional Director, Region II
U.S. Department of Health, Education, and Welfare

Mr. Bernard M. Luger, Regional Audit Director
U.S. Department of Health, Education, and Welfare

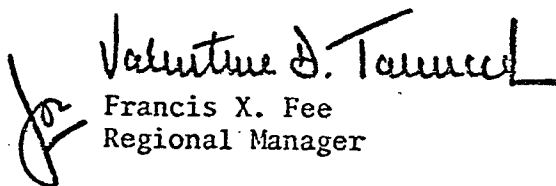
Mr. Robert P. Whalen, Commissioner
New York State Department of Health

Mr. Daniel Klepak, Deputy Commissioner
New York State Department of Health, Division
of Health Economics

Mr. Frederick Parker, Director
New York State Department of Health, Bureau
of Provider Audit

Please advise us as to the action you have taken in connection
with these matters.

Sincerely yours,


Francis X. Fee
Regional Manager